

Ratings For Europe's Largest 100 Banks Show The Widest Range In Creditworthiness In 30 Years

Primary Credit Analyst:

Scott Bugie, Paris (33)1-4420-6680; scott_bugie@standardandpoors.com

Secondary Contacts:

Harm Semder, Frankfurt (49) 69-33-999-158; harm_semder@standardandpoors.com

Michael Bojko, London 44 (0) 207-176-7229; Michael_Bojko@standardandpoors.com

Table Of Contents

The Tiering Of European Bank Credit

Appendix: Our Criteria Spells Out The Difference Between The SACP And ICR

Related Criteria And Research

Ratings For Europe's Largest 100 Banks Show The Widest Range In Creditworthiness In 30 Years

The European banking industry remains unsettled after three years of financial crisis, deep recession, and gaping government deficits that have pushed a few countries and their banking systems to rely on external support for survival. At present, the gap between European banks with the strongest and weakest creditworthiness, according to their long-term issuer credit ratings, is wider than it has been in the past 30 years (see table), as the financial crisis and recession forced a restructuring of the industry and amplified prior differences in creditworthiness. Furthermore, the link between European bank creditworthiness and government support has never been more important in our view.

European governments have been among the most active in the world in supporting troubled banks and have undertaken a wide range of actions. Pan-European institutions, like the European Central Bank (ECB), also have played a crucial role in providing financing to certain banks and in buying bonds on the open market. In light of the financial crisis, European and international banking regulators took the Basel II capital adequacy standards back to the workshop for a complete overhaul and will be phasing in Basel III, which has more demanding capital and liquidity requirements, starting in 2013.

The significant events of the European banking industry since 2008 have highlighted the importance to us at Standard & Poor's Ratings Services of potential government support in assessing the creditworthiness of banks, and, in particular, those that we view as having high systemic importance. This vital analytical factor is the difference between a financial institution's stand-alone credit profile (SACP) and its issuer credit rating (ICR). For instance, if a bank has an SACP of 'bbb-' and an ICR of 'A-', we say we give the entity three notches of uplift for our view of potential future extraordinary government support.

We started to roll out SACPs for the banks we rate since the publication of "General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating," on Oct. 1, 2010. And we now present, for the first time, the SACPs on the 100 largest financial institutions we rate in Europe (see table). The list comprises the banks that we rate from mature European economies, excluding the newer members of the European Union from Central and Eastern Europe.

Issuer Credit Ratings And Stand-Alone Credit Profiles Of The Largest 100 European Banking Groups

Bank	Country	Long-term ICR	Stand-alone credit profile	Outlook
Bank Nederlandse Gemeenten N.V.	Netherlands	AAA	aa	Stable
Aargauische Kantonalbank	Switzerland	AAA	aa-	Stable
Basellandschaftliche Kantonalbank	Switzerland	AAA	aa-	Stable
Zuercher Kantonalbank	Switzerland	AAA	aa-	Stable
Rabobank Nederland	Netherlands	AAA	aaa	Negative
Basler Kantonalbank	Switzerland	AA+	aa-	Stable
Graubundner Kantonalbank	Switzerland	AA+	aa-	Stable
Luzerner Kantonalbank	Switzerland	AA+	aa-	Stable
Banque et Caisse d'Epargne de l'Etat, Luxembourg	Luxembourg	AA+	a+	Stable

Ratings For Europe's Largest 100 Banks Show The Widest Range In Creditworthiness In 30 Years

Issuer Credit Ratings And Stand-Alone Credit Profiles Of The Largest 100 European Banking Groups (cont.)				
Banco Bilbao Vizcaya Argentaria, S.A.	Spain	AA	aa	Negative
Banco Santander S.A.	Spain	AA	aa	Negative
BNP Paribas	France	AA	aa	Negative
Banque Cantonale Vaudoise	Switzerland	AA-	a	Positive
HSBC Holdings PLC	U.K.	AA-	aa	Stable
Nordea Bank AB	Sweden	AA-	aa-	Stable
Pohjola Bank PLC	Finland	AA-	aa-	Stable
Svenska Handelsbanken	Sweden	AA-	aa-	Stable
Barclays PLC*	U.K.	AA-	aa-	Negative
Credit Agricole S.A.	France	AA-	aa-	Negative
BPCE	France	A+	a+	Stable
Caisse Centrale du Credit Mutuel	France	A+	a+	Stable
Credit Suisse Group AG*	Switzerland	A+	a+	Stable
DnB NOR Bank ASA	Norway	A+	a+	Stable
DZ BANK AG¶	Germany	A+	a+	Stable
Intesa Sanpaolo SpA	Italy	A+	a+	Stable
Mediobanca SpA	Italy	A+	a+	Stable
Nykredit Realkredit A/S	Denmark	A+	a+	Stable
Societe Generale	France	A+	a+	Stable
Standard Chartered Bank	U.K.	A+	a+	Stable
Deutsche Bank AG	Germany	A+	a	Stable
ING Bank N.V.	Netherlands	A+	a	Stable
UBS AG	Switzerland	A+	a	Stable
La Banque Postale	France	A+	a-	Stable
Lloyds Banking Group PLC*	U.K.	A+	a-	Stable
Royal Bank of Scotland Group PLC*	U.K.	A+	a-	Stable
Bank Vontobel AG	Switzerland	A+	a+	Negative
Nationwide Building Society	U.K.	A+	a	Negative
La Caixa	Spain	A+	a+	Watch Neg
Migros Bank	Switzerland	A	a	Stable
Skandinaviska Enskilda Banken AB	Sweden	A	a	Stable
UniCredit SpA	Italy	A	a	Stable
Erste Group Bank AG	Austria	A	a-	Stable
Swedbank AB	Sweden	A	a-	Stable
ABN AMRO Bank N.V.	Netherlands	A	bbb+	Stable
Banque Cantonale de Geneve	Switzerland	A	bbb+	Stable
Deutsche Postbank AG	Germany	A	bbb+	Stable
KBC Bank N.V.	Belgium	A	bbb+	Stable
Helaba§	Germany	A	bbb	Stable
Banque Accord	France	A	bb+	Stable
Bankinter S.A.	Spain	A	a	Negative
Caisse Centrale du Credit Immobilier de France	France	A	a	Negative

Ratings For Europe's Largest 100 Banks Show The Widest Range In Creditworthiness In 30 Years

Issuer Credit Ratings And Stand-Alone Credit Profiles Of The Largest 100 European Banking Groups (cont.)				
Kutxa	Spain	A	a	Negative
IBERCAJA	Spain	A	a	Negative
Jyske Bank A/S	Denmark	A	a	Negative
Unione di Banche Italiane Scpa	Italy	A	a	Negative
Banco de Sabadell S.A.	Spain	A	a-	Negative
Danske Bank A/S	Denmark	A	a-	Negative
DekaBank Deutsche Girozentrale	Germany	A	a-	Negative
Raiffeisen Bank International AG	Austria	A	bbb+	Negative
Commerzbank AG	Germany	A	bbb	Negative
Dexia Credit Local	France	A	bbb	Negative
Banca Monte dei Paschi di Siena SpA	Italy	A-	a-	Stable
Credito Emiliano SpA	Italy	A-	a-	Stable
F. van Lanschot Bankiers N.V.	Netherlands	A-	a-	Stable
Volkswagen Bank GmbH	Germany	A-	a-	Stable
Yorkshire Building Society	U.K.	A-	a-	Stable
Carrefour Banque	France	A-	bbb	Stable
Banca Carige SpA	Italy	A-	a-	Negative
Banca Popolare dell'Emilia Romagna S.C.	Italy	A-	a-	Negative
Banca Popolare di Milano SCRL	Italy	A-	a-	Negative
Banco Popular Espanol, S.A.	Spain	A-	bbb+	Negative
SNS Bank N.V.	Netherlands	A-	bbb+	Negative
Banco Popolare Societa Cooperativa SCRL	Italy	A-	bbb	Negative
Iccrea Banca SpA	Italy	A-	bbb	Negative
NORD/LB (Unsolicited Ratings)	Germany	A-	bbb-	Negative
Caja de Ahorros y Monte de Piedad de Madrid	Spain	A-	bbb	Watch Neg
Argenta Spaarbank N.V.	Belgium	BBB+	bbb+	Stable
Banca Popolare di Vicenza ScpA	Italy	BBB+	bbb+	Stable
LeasePlan Corporation N.V.	Netherlands	BBB+	bbb	Stable
Wuestenrot Bausparkasse AG	Germany	BBB+	bbb	Stable
Veneto Banca S.C.P.A.	Italy	BBB+	bbb+	Negative
WestLB AG (Unsolicited Ratings)	Germany	BBB+	bb-	Negative
Banque PSA Finance	France	BBB	bbb	Stable
RCI Banque	France	BBB	bbb	Stable
Istituto Centrale delle Banche Popolari Italiane SpA	Italy	BBB	bbb-	Stable
Deutsche Pfandbriefbank AG	Germany	BBB	bb	Stable
NIBC Bank N.V.	Netherlands	BBB	bbb	Negative
Banco BPI S.A.	Portugal	BBB-	bbb-	Negative
Banco Espirito Santo, S.A.	Portugal	BBB-	bbb-	Negative
Caixa Geral de Depositos S.A.	Portugal	BBB-	bbb-	Negative
Banco Comercial Portugues, S.A.	Portugal	BBB-	bbb-	Watch Neg
Irish Life & Permanent PLC	Ireland	BB+	bb-	Watch Neg

Issuer Credit Ratings And Stand-Alone Credit Profiles Of The Largest 100 European Banking Groups (cont.)				
Bank of Ireland	Ireland	BB+	bb-	Watch Neg
FCE Bank PLC	U.K.	BB	bb+	Positive
Allied Irish Banks PLC	Ireland	BB	b+	Watch Neg
Alpha Bank A.E.	Greece	B+	b+	Watch Neg
EFG Eurobank Ergasias S.A.	Greece	B+	b+	Watch Neg
National Bank of Greece S.A.	Greece	B+	b+	Watch Neg
Piraeus Bank S.A.	Greece	B+	b+	Watch Neg
Anglo Irish Bank Corp. Ltd.	Ireland	CCC+	ccc	Negative

Note: Size is measured by operating revenues before provisions. We list only the consolidating entity for financial groups with several European subsidiaries, for example we include Banco Santander S.A. but not its subsidiary Santander UK PLC. *Holding company; the ICR and SACP are of the main operating bank. †The ICR and SACP are of the cooperative banking sector in Germany. ‡The ICR and SACP are of Sparkassen-Finanzgruppe Hessen-Thuringen. Source: Standard & Poor's.

The Tiering Of European Bank Credit

On the one hand, the ICRs of the largest 100 European financial institutions show the wide range of "all-in" creditworthiness. On the other hand, the uplift or difference in notches between the ICRs and SACPs demonstrate the extent to which we factor in potential government support in many banks' credit profiles--and it is material for many banks.

The list illustrates the pockets of difficulties in the European banking industry. In particular, banks in Ireland, Greece, and, to a lesser extent, Portugal, have suffered due to the continuing recession in all three countries and their severely restricted access to wholesale funding due to the interdependence of bank and sovereign creditworthiness. Irish banks helped fuel the real estate boom in the country, and are still reeling from the equally spectacular bust. Eight of the nine banks in the list with speculative-grade ICRs (that is, 'BB+' and lower) are in Ireland and Greece. German Landesbanks and real estate specialists such as the Hypo Real Estate Group and some regional Spanish savings banks (most of which Standard & Poor's doesn't rate) point up weaknesses with certain business models and lending segments (notably the Spanish real estate construction industry) in the European banking industry.

At the same time, many European banking groups have emerged from the downturn financially and commercially strong and in our opinion rank among the most creditworthy banks globally.

In between is a large group of institutions in the 'A' rating category, the median ICR for the banks on our list. We view these middle-tier banking groups as having solid "all-in" creditworthiness but their credit profiles are not homogenous. Many of them required significant extraordinary support from their governments to make it through the downturn. For example, Italy's UniCredit SpA has relatively good stand-alone creditworthiness reflected in its SACP of 'a', but the government of its home country of Italy has a very high level of government debt and a slow-growing economy. In contrast, Commerzbank AG, which in our opinion faces restructuring risks from the acquisition of Dresdner Bank AG, has an SACP of 'bbb', but we consider it as a systemically important banking group operating in 'AAA'-rated Germany. Both UniCredit and Commerzbank have long-term ICRs of 'A' but the component of our assessment of the potential for future extraordinary support raises Commerzbank's ICR to three notches above the bank's SACP.

The most creditworthy banks--those with long-term ICRs of 'AAA' and 'AA+'--are mostly government-related entities (GREs). We define a financial institution as a GRE when it has a public policy role or when government

ownership is strategic and long-term. Eight of the nine financial institutions on the list that we rate 'AAA' and 'AA+' are GREs; six of these are Swiss cantonal banks.

The long-term ICRs of almost half--46 exactly--of the financial institutions in the list are higher than their SACPs. That's because our view of systemic importance generally correlates with size. We view the majority of the largest banking groups as systemically important to their home countries, which goes along with our expectation that governments would likely continue to support them if they were to fall into trouble in the future. This is despite regulations and proposals for "resolution regimes," which would allow for the orderly wind-down of failing banks and sometimes call into question government support for banks. SACPs have a prominent role in our proposed criteria for ratings banks, which we published for comment on Jan. 6, 2011, "Request for Comment: Banks: Rating Methodology."

Standard & Poor's is studying several areas that it believes are influencing the creditworthiness of Europe's banks:

- Funding conditions,
- The end to government support programs,
- The impact of new bank regulations,
- The cleanup of lingering problems in loan portfolios,
- The level and trend of interest rates, and
- European and global economic growth.

We plan to comment on these and other trends in the second quarter of 2011, when we publish our Industry Report Card on Europe's 50 largest banks and related research.

Appendix: Our Criteria Spells Out The Difference Between The SACP And ICR

The SACP is Standard & Poor's opinion of an issuer's intrinsic creditworthiness in the absence of extraordinary support from its government or parent company. The ICR of a bank reflects Standard & Poor's opinion of the bank's stand-alone creditworthiness and our assessment of potential future extraordinary support from its government or parent group. Under our methodology, ongoing government support integrated into a bank's SACP includes government interaction with the entire banking industry. In Europe, a prime example of ongoing systemwide support is the availability to all banks of secured funding from the ECB.

Related Criteria And Research

- Bank Resolution Regimes: Potential Rating Implications As Sovereign Support Frameworks Evolve, March 16, 2011
- Request for Comment: Banks: Rating Methodology, Jan. 6, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010.
- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010

Additional Contact:

Financial Institutions Ratings Europe; FIG_Europe@standardandpoors.com

Copyright © 2011 by Standard & Poors Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.